

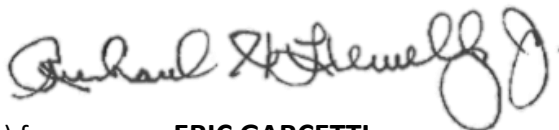
TRANSMITTAL

To: **THE COUNCIL**

Date: **10/08/21**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in black ink, appearing to read "Eric Garcetti". The signature is fluid and cursive, with a large, stylized "G" at the end.

(Rich Llewellyn) for

ERIC GARCETTI
Mayor

CITY OF LOS ANGELES

CALIFORNIA

CAROLYN M. HULL
GENERAL MANAGER



ERIC GARCETTI
MAYOR

**ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT**

1200 W. 7TH STREET
LOS ANGELES, CA 90017

October 8, 2021

Council File: 21-0259
Council District No: 10
Contact Person: Fred Jackson
Contact Phone: (213) 744-9723

The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

Attention: Heleen Ramirez, Legislative Coordinator

**REQUEST DECLARATION THAT CERTAIN CITY-OWNED PROPERTY ARE
“EXEMPT SURPLUS LAND” FOR THE PURPOSE OF THE SURPLUS LAND ACT
UNDER GOVERNMENT CODE SECTION 54221(F)(1)(G) FOR THE EIGHT CITY-
OWNED PARCELS LOCATED AT 3782 – 3900 WEST MARTIN LUTHER KING JR.
BOULEVARD**

The General Manager of the Economic and Workforce Development Department (“EWDD”) respectfully requests that your office review this transmittal and forward to the City Council for further consideration.

SUMMARY

EWDD is recommending that the Council adopt the attached Resolution, declaring that the eight City-owned parcels located at 3782 – 3900 West Martin Luther King Jr. Boulevard are “exempt surplus land” for the purpose of the Surplus Land Act under Government Code Section 54221(f)(1)(G) based on the valid legal restrictions imposed by U.S. HUD to facilitate an economic development project the City envisions at the site, which could include a technology, or bioscience or other commercial center that generates jobs and economic development opportunities for the surrounding community.

RECOMMENDATION(S)

The General Manager of EWDD, or designee, respectfully requests that the City Council, subject to the approval of the Mayor as required:

1. DECLARE, the eight (8) City-owned parcels located at 3782 – 3900 West Martin

Luther King Jr. Boulevard, bearing APNs 5032-004-910 through 5032-004-916 and 5032-005-902 (the “Property” or “8 Parcels”), are “exempt surplus land” for the purpose of the Surplus Land Act under Government Code Section 54221(f)(1)(G), based on the valid legal restrictions imposed by U.S. HUD (“HUD”) that the properties must be used for economic development purposes and cannot be used for the construction of new housing, and/or under Government Code Section 54226 based on the conflict between the requirements of the HUD regulations and the Surplus Land Act; and

2. ADOPT, the attached Resolution declaring the 8 Parcels “exempt surplus land” for the purpose of the Surplus Land Act under Government Code Section 54221(f)(1)(G), based on the valid legal restrictions imposed by HUD that the properties must be used for economic development purposes and cannot be used for the construction on new housing, and/or under Government Code Section 54226 based on the conflict between the requirements of the HUD regulations and the Surplus Land Act.

BACKGROUND

In the 1940’s and 50’s, Marlton Square was a thriving retail center known as Santa Barbara Plaza that was home to over 200 locally owned businesses. Over time, investment in the area declined and the property deteriorated, resulting in severe blight by the 1990s.

The City of Los Angeles (“City”) owns eight (8) parcels of land located at 3838 - 3900 Martin Luther King Jr. Boulevard and 3910 West Santa Barbara Street that were previously a part of the former Santa Barbara Plaza.

The former redevelopment agency, CRA/LA, a Designated Local Authority (CRA/LA), made extensive efforts to rehabilitate the area by establishing the Crenshaw Amended Redevelopment Project Area in 1994 and acquiring various parcels within Marlton Square. The goal was to attract new public and private investment, in partnership with the City, to facilitate a multi-phased development that included community-serving commercial uses. The City holds an Option Agreement with CRA/LA which provides the City the option to purchase the CRA/LA parcels located within Marlton Square.

Moving forward, it is in the City's best interest to exercise the Option Agreement to obtain

ownership of the CRA/LA parcels on the Marlton Square site and combine with the City-owned 8 Parcels to facilitate a larger economic development project at Marlton Square, which could include a technology, or bioscience or other commercial center that generates jobs and economic development opportunities for the surrounding community. On March 3, 2021, City Council designated EWDD (C.F. 21-0259) as the project manager to lead this effort. EWDD intends to release a Request for Proposals (RFP) in 2021 seeking a qualified developer to develop the 8 Parcels, along with other adjacent properties that may be obtained from CRA/LA.

ACQUISITION FUNDING RESOURCES AND RESTRICTIONS

The City paid a total of almost Eight Million Dollars (\$8,000,000.00) for the 8 Parcels with funding from (i) United States Department of Housing and Urban Development (“HUD”) Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974 (“HUD Section 108 Loan Funds”) in the amount of \$1,721,798.00, (ii) HUD Community Development Block Grant (“CDBG”) funds for Fiscal Year 37 in the amount of \$525,000.00, (iii) HUD CDBG funds for Fiscal Year 41 in the amount of \$4,148,800, and (iv) City General Fund funds in the amount of \$1,604,402.

The City received the HUD Section 108 Loan Funds from HUD under two contracts, one dated September 19, 2005, and amended in October 2008, in the amount of \$9,000,000.00 to be used to make a loan to CRA/LA for the acquisition of real property for the retail component of the Marlton Square project pursuant to 24 CFR 570.703(i)(1) and 570.203(a)(the 2005 HUD Contract”), and the other dated September 9, 2008 in the amount of \$6,175,000.00 to be used to make a loan to CRA/LA to assist with economic development activities related to the retail component of the Marlton Square project in accordance with 24 CFR 570.703(i)(1) and 24 CFR 570.203(a)(the “2008 HUD Contract”).

The City entered into a loan agreement with CRA/LA in 2008 in the amount of \$13,453,202 for the purposes set forth in the 2005 HUD Contract and 2008 HUD Contracts and received authorization from City Council (CF 15-1090) to use the remaining portion of the HUD Section 108 Loan Funds (\$1,721,798.00) to fund the acquisition of the 8 Parcels.

SURPLUS LAND ACT

The Surplus Land Act (Government Code Section 54220, et seq.) (“Act”) was amended by the California State Legislature by the adoption of AB 1486, effective on January 1, 2020. Under the Act, before commencing the property disposition process, governmental entities must declare the property as either “surplus land” or “exempt surplus land.” In the instant case, the 8 Parcels qualifies as “exempt surplus land” under Section 54221(f)(1)(G) of the Act based on the following findings:

- a) 24 CFR 570.703 sets forth the eligible activities that can be funded with HUD Section 108 loan funds and Subsection (i)(1) identifies economic development activities eligible under 24 CFR 570.203;
- b) 24 CFR 570.203 provides that CDBG funds may be used for special economic development activities that may be carried out as part of an economic development project, but the “[s]pecialized activities authorized under this section do not include assistance for the construction of new housing” (emphasis added);
- c) The City’s use of the HUD Section 108 Loan Funds under the terms and conditions of the 2005 HUD Contract and the 2008 HUD Contract, therefore,

must be for property acquisition and related economic development activities for the Marlton Square project and such funds cannot be used the construction of new housing under 24 CFR 570.203;

- d) Since a portion of the funding for the City's acquisition of the 8 Parcels was HUD Section 108 Loan Funds under the 2005 HUD Contract and the 2008 HUD Contract, the City is legally obligated to use the properties for economic development purposes related to the Marlton Square project and is further legally obligated to not use the properties for the construction of new housing; and
- e) The City intends to release a RFP in 2021 seeking a qualified developer to develop the 8 Parcels, along with other adjacent CRA/LA properties that may be obtained from CRA/LA.

Therefore, the 8 Parcels are "exempt surplus land" for the purposes of the California Surplus Land Act (Government Code Section 54220 et seq.) under Government Code Section 54221(f)(1)(G) based on the valid legal restrictions imposed by HUD that the properties must be used for economic development purposes and cannot be used for the construction of new housing, and/or under Government Code Section 54226 based on the conflict between the requirements of the HUD regulations and the Surplus Land Act.

FISCAL IMPACT STATEMENT

Approval of the recommendations in this report will not have an impact on the General Fund. The extent of any future impact on the General Fund is unknown at this time.

The actions currently proposed will authorize the declaration and the adoption of the attached Resolution declaring the 8 Parcels "Exempt Surplus Land" for the purpose of the Surplus Land Act under Government Code Section 54221(F)(1)(G).



CAROLYN M. HULL
General Manager

CH:FJ:CK

ATTACHMENT: RESOLUTION DECLARING EIGHT PROPERTIES LOCATED ON
MARTIN LUTHER KING JR BOULEVARD AND BUCKINGHAM
PLACE AS EXEMPT SURPLUS LAND UNDER THE STATE
SURPLUS LAND ACT

**RESOLUTION DECLARING EIGHT PROPERTIES LOCATED ON MARTIN
LUTHER KING JR BOULEVARD AND BUCKINGHAM PLACE AS EXEMPT
SURPLUS LAND UNDER THE STATE SURPLUS LAND ACT**

WHEREAS, the City of Los Angeles (“City”) owns eight (8) parcels of land located at 3838 - 3900 Martin Luther King Jr. Boulevard and 3910 West Santa Barbara Street (the “8 Parcels”) that were previously a part of the former Santa Barbara Plaza, a shopping center comprised of over two hundred (200) retail businesses;

WHEREAS, the 8 Parcels, along with a number other parcels comprising Santa Barbara Plaza, were previously owned by the Community Redevelopment Agency of the City of Los Angeles (“CRA/LA”) as a part of its land assembly efforts to redevelop the blighted former shopping center into a new, modern retail center to be known as Marlton Square;

WHEREAS, the City acquired fee title to the 8 Parcels in 2016 after CRA/LA’s selected developer, which had acquired ownership of the 8 Parcels and a number of the adjacent parcels from CRA/LA, defaulted on its acquisition loans and, upon a foreclosure action, title to the 8 Parcels transferred to CMM, a mortgage management company;

WHEREAS, the City paid Marlton Recovery Partners, LLC (“MRP”), CMM’s successor in interest, a total of almost Eight Million Dollars (\$8,000,000.00) for the 8 Parcels with funding from (i) United States Department of Housing and Urban Development (“HUD”) Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974 (“HUD Section 108 Loan Funds”) in the amount of \$1,721,798.00, (ii) HUD Community Development Block Grant (“CDBG”) funds for Fiscal Year 37 in the amount of \$525,000.00, (iii) HUD CDBG funds for Fiscal Year 41 in the amount of \$4,148,800, and (iv) City General Fund funds in the amount of \$1,604,402;

WHEREAS, the City received the HUD Section 108 Loan Funds from HUD under two contracts, one dated September 19, 2005, and amended in October 2008, in the amount of \$9,000,000.00 to be used to make a loan to CRA/LA for the acquisition of real property for the retail component of the Marlton Square project pursuant to 24 CFR 570.703(i)(1) and 570.203(a)(the 2005 HUD Contract”), and the other dated September 9, 2008 in the amount of \$6,175,000.00 to be used to make a loan to CRA/LA to assist with economic development activities related to the retail component of the Marlton Square project in accordance with 24 CFR 570.703(i)(1) and 24 CFR 570.203(a)(the “2008 HUD Contract”);

WHEREAS, the City entered into a loan agreement with CRA/LA in 2008 in the amount of \$13,453,202 for the purposes set forth in the 2005 HUD Contract and 2008 HUD contracts and received and received authorization from City Council (CF 15-1090) to use the remaining portion of the HUD Section 108 Loan Funds (\$1,721,798.00) to fund the acquisition of the 8 Parcels from MRP;

WHEREAS, 24 CFR 570.703 sets forth the eligible activities that can be funded with HUD Section 108 loan funds and Subsection (i)(1) identifies economic development activities eligible under 24 CFR 570.203;

WHEREAS, 24 CFR 570.203 provides that CDBG funds may be used for special economic development activities that may be carried out as part of an economic development project, but the “[s]pecialized activities authorized under this section **do not** include assistance for the construction of new housing” (emphasis added);

WHEREAS, the City’s use of the HUD Section 108 Loan Funds under the terms and conditions of the 2005 HUD Contract and the 2008 HUD Contract, therefore, must be for property acquisition and related economic development activities for the Marlton Square project and such funds cannot be used the construction of new housing under 24 CFR 570.203;

WHEREAS, since a portion of the funding for the City’s acquisition of the 8 Parcels was HUD Section 108 Loan Funds under the 2005 HUD Contract and the 2008 HUD Contract, the City is legally obligated to use the properties for economic development purposes related to the Marlton Square project and is further legally obligated to not use the properties for the construction of new housing; and

WHEREAS, the City intends to release a Request for Proposals (RFP) in 2021 seeking a developer to develop the 8 Parcels, along with other adjacent properties that may be obtained from CRA/LA, the successor agency to the CRA, for economic development purposes, which could include a technology, bioscience or other commercial center that generates jobs and economic development opportunities for the surrounding community.

NOW, THEREFORE, be it resolved that the Council of the City of Los Angeles:

1. Finds that the foregoing recitals are true and correct.
2. Declares that the 8 Parcels are “exempt surplus land” for the purposes of the California Surplus Land Act (Government Code Section 54220 et seq.) under Government Code Section 54221(f)(1)(G) based on the valid legal restrictions imposed by HUD that the properties must be used for economic development purposes and cannot be used for the construction on new housing, and/or under Government Code Section 54226 based on the conflict between the requirements of the HUD regulations and the Surplus Land Act.
3. Directs that a copy of this Resolution be provided to the California Department of Housing and Community Development for its review.